

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

December 31, 2015 and 2014

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**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Hoffmann	Chairperson	11/4/2019
Marsha Clausen	Vice-Chairperson	11/4/2018
Kirk Huehn	Secretary	11/4/2016
Jean Hargens	Board Member	11/4/2020
Aaron Stangl	Board Member	11/4/2017
Kent Hilsabeck	Interim General Manager	Indefinite

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Missouri

INDEPENDENT AUDITOR'S REPORT

March 14, 2016

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility

Report on the Financial Statements

I have audited the accompanying financial statements of the Manning Municipal Communications and Television System Utility, a component unit of the City of Manning, Iowa as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

March 14, 2016
Manning Municipal Communications
and Television System Utility
Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Utility's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Communications and Television System Utility as of December 31, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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Emphasis of Matter

As discussed in Note 11 to the financial statements, Manning Municipal Communications and Television System Utility adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No 27. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

As described in Note 1, the financial statements are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Communications and Television System Utility.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Communications and Television System Utility's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended December 31, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing

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standards. In my opinion, the supplementary information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

The other information, Utility's Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability and the Schedule of Utility Contributions on pages 8 through 14, pages 46 through 48 and pages 49 through 52, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 24, 2016 on my consideration of Manning Municipal Communications and Television System Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manning Municipal Communications and Television System Utility's internal control over financial reporting and compliance.

Murphy & Associates, CPA, P.C.

Management's Discussion and Analysis

Manning Municipal Communication and Television System Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2015. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2015 Financial Highlights

Total revenues of the Utility's activities decreased 0.37%, or \$2,992, from 2014 to 2015.

Total expenses decreased 15.7%, or \$137,179, from 2014 to 2015.

The Utility's deficit of business type activities increased by 1.4%, or \$7,739 from 2014 to 2015.

Using This Annual Report

This annual report consists of a series of financial and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Position - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides comparative financial data with the prior year.

Reporting the Utility's Financial Activities

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used in most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all the Utility's assets and liabilities, with the difference between the two reported as "fund net position". Over time, increases or decreases in the Utility's fund net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing how the Utility's net position changed during the most recent year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future years.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report the following activity:

Business type activities including the cable utility, telephone utility and internet utility. These activities are financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Funds. These funds report services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Enterprise Funds include the cable, telephone and internet utilities, collectively considered to be a major fund of the Utility.

The financial statements required for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

Basic Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net position for business type activities.

Net Position at Year End

Business Type Activities - Enterprise Funds

		<u>Year Ended</u>	
		<u>2015</u>	<u>2014</u>
Current and other assets	\$	173,381	\$ 98,593
Capital assets		145,740	167,592
Total assets	\$	<u>319,121</u>	\$ <u>266,185</u>
Long-term liabilities	\$	781,056	\$ 735,000
Other liabilities		96,470	86,205
Total liabilities	\$	<u>877,526</u>	\$ <u>821,205</u>
Net position:			
Net investment in capital assets	\$	-0-	\$ -0-
Restricted		7,882	7,332
Unrestricted		(570,641)	(562,352)
Total net position	\$	<u>(562,759)</u>	\$ <u>(555,020)</u>

Unrestricted net position can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The net investment in capital assets (e.g. land, infrastructure, buildings, and equipment) is shown as zero because the debt exceeds book value. The related debt exceeds the net investment in capital assets due to the fact that principal payments have not been made regularly on the debt, while depreciation continues to accumulate as fixed assets are depreciated over time. If the net investment in capital assets were shown as a negative number, the unrestricted fund net position would be materially overstated.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during the current year. The beginning net position was restated \$63,670 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 and prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflow of resources were not restated because the information was not available. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The Manning Municipal Cable and Telephone System Utility is one of the few governmental entities in the State of Iowa that reports its financial statement on a calendar year rather than a fiscal year basis. Net pension liability, deferred outflows and deferred inflows are not provided or available for December 31st year end entities and, accordingly, are reported by the Utility as of June 30th.

Changes in Net Position for the Year Ended December 31,

Business Type Activities - Enterprise Funds

	<u>2015</u>	<u>2014</u>
Revenues:		
Charges for Services	\$ 761,262	\$ 748,314
Service & Reconnect Charges	11,980	11,123
Advertising Fees	4,250	5,850
Miscellaneous Fees	9,742	15,906
Signal Charges	2,932	9,998
Headend Rent	1,600	3,364
Total Revenues	<u>791,766</u>	<u>794,555</u>
Operating Expenses:		
Production	394,899	420,898
Rent	57,286	176,849
Depreciation	35,808	35,614
Administrative and General	236,959	228,971
Total Operating Expenses	<u>724,952</u>	<u>862,332</u>
Net Operating Income	66,814	(67,777)
Non Operating Revenue (Expenses):		
Interest Income	70	273
Interest Expense	(10,953)	(11,025)
Total Non Operating Rev (Exp)	<u>(10,883)</u>	<u>(10,752)</u>
Increase (Decrease) in Net Position	55,931	(78,529)
Net Position, Beginning of Year - as restated	<u>(618,690)</u>	<u>(476,491)</u>
Net Position, End of Year	\$ <u>(562,759)</u>	\$ <u>(555,020)</u>

The Manning Municipal Communications and Television System Utility recorded an increase in net position of \$55,931, primarily due to a renegotiated annual lease payment to Manning Municipal Light Plant.

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, and other infrastructure. Capital assets for the business type activity totaled \$145,740 (net of accumulated depreciation) at December 31, 2015. The Utility made general, internet and telephone improvements at a cost of \$13,956 and recorded depreciation of \$35,808.

<u>Capital Assets at Year End</u>			
	<u>2015</u>		<u>2014</u>
Headhouse	\$ 62,792	\$	62,792
Distribution	52,678		52,678
General	100,211		88,899
Internet	179,836		177,773
Telephone	870,315		869,733
Total	<u>1,265,832</u>		<u>1,251,875</u>
Less: Accumulated Depreciation	<u>(1,120,092)</u>		<u>(1,084,283)</u>
Net Capital Assets	\$ <u>145,740</u>	\$	<u>167,592</u>

Debt Administration

The Utility had \$730,000 in total long-term debt outstanding for the business type activity as shown below.

	<u>12/31/15</u>		<u>12/31/14</u>
Note Payable -			
Manning Municipal Light Plant	\$ 230,000	\$	235,000
Note Payable -			
Manning Municipal Gas Dept	500,000		500,000
Total	<u>\$ 730,000</u>	\$	<u>735,000</u>

Budgetary Highlights

The City of Manning adopts a budget annually as required by Iowa law. The City budget, which is prepared on the cash basis of accounting, includes those funds of the Manning Municipal Communications and Television System Utility for the period July 1, 2014 to June 30, 2015.

The Utility presents its budgetary information on a cash basis for the period January 1 to December 31, 2015. Disbursements did not exceed the final budgeted amounts.

Economic Factors Bearing on the Communication Utility's Future

The need and demand for higher bandwidth is constantly requested from both business and residential customers. As technology continues to advance, there is a need for more bandwidth on a regular basis due to the new devices, programs and applications being introduced into the market. In order to offer a competitive internet product, MMCTSU has had to make many improvements to ensure our capability of supporting our customers growing demand and need for higher bandwidth in cost effective ways. In 2015, MMCTSU started working with IT techs and specialists to create higher internet speed packages to satisfy customer demand. MMCTSU also purchased more bandwidth from Templeton Telephone Co and renegotiated the purchase at a lower rate.

Cost effective Cable TV solutions is still a huge priority. As retransmissions agreements and rates between MMCTSU and the networks continue to increase greedily, MMCTSU has begun to investigate new internet platforms in order to offer a better Cable TV product at less cost. Customers already use internet based TV programs such as Netflix, Hulu and TV on Demand. The industry is starting to witness a shift in market products being offered to Cable TV providers. MMCTSU anticipates moving in that direction in the near future.

The demand for landline telephone service continues to decline. New customers no longer request landline services and several long-standing customers have cancelled landline services and rely on cellular services instead. Carrier Access Revenues have dropped drastically as the majority of long distance calls are cellular these days.

Contacting the Communication Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Communication Utility's finances and operating activities. If you have questions about this report or need additional financial information, contact Beth Swearingen at Manning Municipal Communications and Television System Utility, 719 Third Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

Exhibit A

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Net Position
- Proprietary Funds
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 97,129	\$ 28,160
Restricted Cash - Customer Deposits	7,882	7,332
Accounts Receivable - Customers - net of allowance	25,781	24,138
Accounts Receivable - Carrier Access Fees - net	13,499	7,528
Accounts Receivable - Miscellaneous	2,912	5,515
Inventory	19,254	19,043
Prepaid Expenses	6,924	6,877
Capital Assets (Net of Accumulated Depreciation)	145,740	167,592
Total Assets	\$ <u>319,121</u>	\$ <u>266,185</u>
Deferred Outflows of Resources		
Pension Related Deferred Outflows	<u>15,117</u>	<u>8,260</u>
Liabilities		
Accounts Payable - Operating	\$ 40,475	\$ 29,022
Unearned Revenue	26,987	28,713
Customer Deposits Payable	7,882	7,332
Accrued Wages and PTO Payable	5,065	7,775
Other Taxes Payable	3,958	-0-
Accrued Interest Payable	10,953	11,025
Real Estate Taxes Payable	1,150	2,338
Long-term Liabilities:		
Notes Payable (payable after one year)	730,000	735,000
Net Pension Liability	51,056	-0-
Total Liabilities	<u>877,526</u>	<u>821,205</u>
Deferred Inflows of Resources		
Unavailable Revenues:		
Pension Related Deferred Inflows	<u>19,471</u>	<u>-0-</u>
Net Position		
Net Investment in Capital Assets	-0-	-0-
Restricted for:		
Customer Deposits	7,882	7,332
Unrestricted (Deficit)	<u>(570,641)</u>	<u>(562,352)</u>
Total Net Position (Deficit)	<u>(562,759)</u>	<u>(555,020)</u>
Total Liabilities and Net Position	\$ <u>314,767</u>	\$ <u>266,185</u>

See accompanying notes to financial statements

Exhibit B**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues - Cable		
Basic TV	\$ 327,165	\$ 294,957
Movie Packages	10,589	12,559
TIVO	1,734	2,745
	<u>339,488</u>	<u>310,261</u>
Cost of Sales - Cable		
Signal charges	<u>267,080</u>	<u>240,617</u>
Net Operating Revenues - Cable	72,408	69,644
Operating Revenues - Telephone		
Local Access	127,652	136,479
Local Tolls	21,270	23,786
Carrier Access Fees	53,807	63,492
USAC Revenue	5,066	973
Calling Features	15,883	16,472
Cell Phones and Accessories	-0-	54
	<u>223,678</u>	<u>241,256</u>
Cost of Sales - Telephone		
Long Distance Switching Fees	53,749	56,937
Switching Fees - Templeton	29,588	55,000
Carrier Access Fees	9,911	9,454
Local Billing Fees	2,687	3,370
Subscriber Services	5,999	4,556
	<u>101,934</u>	<u>129,317</u>
Net Operating Revenues - Telephone	121,744	111,939

See accompanying notes to financial statements

Exhibit B
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues - Internet		
Unlimited Service	\$ 299	\$ 299
Ten Hour Plan	143	143
Cable Modem Income	169,340	168,493
Other Fees	8,792	9,217
Wireless Internet	19,522	18,645
Ethernet Income	-0-	-0-
	<u>198,096</u>	<u>196,797</u>
Cost of Sales - Internet		
Internet Expenses	<u>25,885</u>	<u>50,964</u>
Net Operating Revenues - Internet	172,211	145,833
Other Operating Revenues		
Advertising Fees	4,250	5,850
Miscellaneous	9,742	15,906
Hookup Fees	960	840
Reconnect Charges	1,657	1,943
Service Charges	6,848	8,340
Directory Fees - Phone Books	2,515	-0-
Signal charges - Templeton & Scranton	2,932	9,998
Headend Rent	1,600	3,364
Total Other Operating Revenues	<u>30,504</u>	<u>46,241</u>
Net Operating Revenues Before Expenses	396,867	373,657
Operating Expenses (Schedule 1)	<u>330,053</u>	<u>441,434</u>
Net Operating Income (Loss)	66,814	(67,777)

See accompanying notes to financial statements

Exhibit B
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

	<u>2015</u>		<u>2014</u>
Net Operating Income (loss)	\$ 66,814	\$	(67,777)
Non-Operating Revenues (Expenses)			
Interest Income	70		273
Interest Expense	<u>(10,953)</u>		<u>(11,025)</u>
Total Non-operating Revenues (Expenses)	<u>(10,883)</u>		<u>(10,752)</u>
Change in Net Position	55,931		(78,529)
Net Position, Beginning (Deficit) - As Restated	<u>(618,690)</u>		<u>(476,491)</u>
Net Position, Ending (Deficit)	\$ <u>(562,759)</u>	\$	<u>(555,020)</u>

See accompanying notes to financial statements

Exhibit C**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

	<u>Cable</u>	<u>Telephone</u>
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	\$ 337,892	\$ 216,650
Cash Received from Other Revenues	18,343	12,251
Cash Paid to Suppliers	(258,208)	(105,332)
Cash Paid for Personal Services	(105,377)	(44,845)
Cash Paid to Employees	<u>(32,114)</u>	<u>(30,262)</u>
Net Cash Provided by Operating Activities	(39,464)	48,462
Cash Flows from Noncapital Financing Activities:		
Change in Customer Deposits	<u>183</u>	<u>184</u>
Net Cash Provided by Noncapital Financing Activities	183	184
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(11,313)	(581)
Principal Paid on Notes	-0-	(5,000)
Interest Paid on Notes	<u>-0-</u>	<u>(11,025)</u>
Net Cash Used by Capital and Related Financing Activities	(11,313)	(16,606)
Cash Flows from Investing Activities:		
Interest on Investments	<u>-0-</u>	<u>70</u>
Net Cash Provided by Investing Activities	<u>-0-</u>	<u>70</u>
Net Increase (decrease) in Cash and Cash Equivalents	\$ <u>(50,594)</u>	\$ <u>32,110</u>
Cash and Cash Equivalents - Beginning of Year		
Cash and Cash Equivalents - End of Year		

See accompanying notes to financial statements

Exhibit C
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

<u>Internet</u>	<u>2015</u>	<u>2014</u>
\$ 197,454	\$ 751,996	\$ 754,423
2,513	33,107	53,453
(26,318)	(389,858)	(417,441)
(53,505)	(203,727)	(334,645)
<u>(30,262)</u>	<u>(92,638)</u>	<u>(85,489)</u>
89,882	98,880	(29,699)
<u>183</u>	<u>550</u>	<u>800</u>
183	550	800
(2,062)	(13,956)	(99,760)
-0-	(5,000)	-0-
<u>-0-</u>	<u>(11,025)</u>	<u>(15,156)</u>
(2,062)	(29,981)	(114,916)
<u>-0-</u>	<u>70</u>	<u>273</u>
<u>-0-</u>	<u>70</u>	<u>273</u>
\$ <u>88,003</u>	69,519	(143,542)
	<u>35,492</u>	<u>179,034</u>
	\$ <u>105,011</u>	\$ <u>35,492</u>

See accompanying notes to financial statements

Exhibit C
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 66,814	\$ (67,777)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	35,808	35,614
(Increase) Decrease in Customer Accounts Receivable	(1,643)	5,791
(Increase) Decrease in Other Receivables	(3,368)	7,212
(Increase) Decrease in Inventories	(211)	296
(Increase) Decrease in Prepaid Expenses	(47)	(2,434)
(Increase) Decrease in Deferred Outflows	(6,857)	-0-
Increase (Decrease) in Accounts Payable	11,453	68
Increase (Decrease) in Salaries Payable	(2,710)	676
Increase (Decrease) in Unearned Revenue	(1,726)	318
Increase (Decrease) in Other Payables	2,770	(9,463)
Increase (Decrease) in Net Pension Liability	(20,874)	-0-
Increase (Decrease) in Deferred Inflows	19,471	-0-
	<u>98,880</u>	<u>(29,699)</u>
Net Cash Provided by Operating Activities	\$ <u>98,880</u>	\$ <u>(29,699)</u>
Reconciliation of Cash and Cash Equivalents at Year End		
To Specific Assets Included on the Statements of Net Position:		
Current Assets:		
Cash and Pooled Investments	\$ 97,129	\$ 28,160
Restricted Assets:		
Cash and Pooled Investments:		
Customer Deposits	<u>7,882</u>	<u>7,332</u>
Cash and Cash Equivalents, End of Year	\$ <u>105,011</u>	\$ <u>35,492</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies

Nature of Business

The mission of MMCTSU is to develop and implement a comprehensive communications system incorporating the elements of telephony, cable television, broadband communications and any other technologies approved by the Utility Board.

The Utility had its origin in the Manning Municipal Cable Board which was established in October 1981 by the Manning City Council. In January 1997, the Cable Board dissolved and transferred its assets, liabilities, records and operations to the newly formed Manning Municipal Communications and Television System Utility (MMCTSU).

Reporting Entity

MMCTSU is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board when determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The Utility is governed by a five-member board of trustees appointed by the City Council. MMCTSU itself has no component units which meet the Governmental Accounting Standards Board criteria.

The financial statements include only those funds of MMCTSU and are not intended to present all funds of the City of Manning, Iowa.

Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the customers of the Utility. Some Utility officials are members of the following boards: Manning Municipal Light Plant and the Manning Municipal Gas Department.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with an Enterprise fund's principal ongoing operations. The principal operating revenues of the Communication Utility include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation

The Statement of Net Position presents the Communication Utility's assets and liabilities, with the difference reported as fund net position. Net position is reported in three categories.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. MMCTSU'S outstanding debt attributable to capital assets exceeds the net investment in capital assets. Therefore, the investment in capital assets is shown at zero until such time that net capital assets exceed related debt.

Restricted Net Position result when constraints placed on net position use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of fund net position not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted to the City of Manning for approval in the City's budget process. The budgetary comparison and related disclosures are reported as Other Information. During the year ended December 31, 2015, disbursements did not exceed amounts budgeted.

Cash and Cash Equivalents

Cash consists of money in checking and savings accounts. For purposes of the Statement of Cash Flows, the Utility considers all deposits to be cash equivalents.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Customers

Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided. The allowance for doubtful accounts is \$3,053 for 2015 and 2014.

The cable TV, phone, internet and TIVO bills are all generated by an outside billing company. The bills are sent out approximately on the 15th of each month and cover the long distance phone calls for the previous month and the cable TV, internet, TIVO and local phone service for the next month. The customers have 20 days to pay their bills before a 1.5% penalty of the total bill gets added to their accounts. Delinquent customers have a 10-day grace period before disconnection occurs. The reconnection fee is \$25.

Accounts Receivable - Carrier Access Fees

Carrier access fees are fees due from various phone companies when MMCTSU's customers select another phone company for their long distance phone services. As of December 31, 2015 and 2014, no allowance for doubtful accounts for CABS was presented as all accounts were deemed collectible.

Various phone companies are billed by an outside billing Company on behalf of MMCTSU for long distance usage.

Inventory

Material and supplies are stated at average cost on a per item basis.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment and are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Land, Buildings, Improvements, Towers and Antennas	25-40 years
Earth Station, Electronics and Service Drops	10-15 years
Converters and Remotes	10 years
Traps and Other Equipment	5-15 years
Internet Equipment	5-10 years
Telephony Equipment	5-10 years

Capital asset activity for the year ended December 31, 2015 is summarized as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assets	\$ 1,251,875	\$ 13,956	\$ -0-	\$ 1,265,832
Accumulated Depreciation	1,084,283	35,808	-0-	1,120,092
Net Capital Assets	\$ 167,592	\$ (21,852)	\$ -0-	\$ 145,740
Depreciation Charged				\$ 35,808

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments that materially extend the life of an asset are capitalized.

The cost and related accumulated depreciation on capital assets sold or retired are eliminated from the accounts at the time of disposal and the resulting gain or loss is reflected in other revenue (expense).

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 1 Summary of Significant Accounting Policies (Continued)

Customer Deposits

Customer deposits are collected from new customers before service commences. Any customer that cannot provide a credit letter from a previous utility is charged a \$50 deposit. Customers in good standing receive a full refund of their deposit after six months of service.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 1 Summary of Significant Accounting Policies (Continued)

Operating Revenues

Cable TV revenues are based on billing rates for subscriber fees to cable television. These subscriber fees are normally collected one month in advance.

Internet fees are billed to customers by MMCTSU one month in advance. As of January 1, 2008, Templeton Telephone Co. and Iowa Network Services provide dial up internet access and related services to MMCTSU. High speed internet access is provided by MMCTSU.

Local access telephone fees are billed one month in advance whereas long distance toll services are billed out after the calls occur. Carrier access fees are also billed to the various Long Distance Carriers for their line access charges after the charges are incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 2 Deposits

The Utility's deposits at December 31, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility's cash at December 31, 2015 is as follows:

Restricted - Customer Deposits	\$	7,882
Unrestricted		97,129
	\$	<u>105,011</u>

Note 3 Related Party Transactions

Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and MMCTSU entered into a joint agreement regarding a communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communications Utility has been granted the right to use the distribution system, the headend building, and the Municipal building for its functions for a term of 25 years. The Communication Utility is required to pay \$170,849 every year for 25 years. The first payment was made on June 30, 2002. During the year ended December 31, 2008, the Utility requested and received a one-year moratorium on the annual lease payment of \$170,849.

At December 31, 2015, the Utilities have renegotiated the annual lease payment based on the Manning Municipal Light Plant having refinanced its debt obligations at a lower interest rate. For the year ended December 31, 2015, MMCTSU made an annual lease payment of \$51,283 and anticipates an annual lease payment of approximately \$141,000 for twelve years.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 3 Related Party Transactions (Continued)

Other

The Utility had no business transactions between the Utility and Utility officials during the years ended December 31, 2015 and 2014, respectively.

MMCTSU rents office space from the City of Manning. Total rent paid to the City of Manning for 2015 and 2014 was \$6,000 per year.

Note 4 Related Party – Notes Payable

	<u>2015</u>	<u>2014</u>
Note Payable to Manning Municipal Light Plant in the original amount of \$500,000 to be used for the broadband communications system. The interest rate is adjusted annually on July 15th of each year to an amount which is equal to 1% more than a one-year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2015 and 2014 were 1.50%. The Communication's net revenues are pledged to pay off amounts due as allowable.	\$230,000	\$235,000
Note Payable to Manning Municipal Gas Department in the amount of \$500,000 to be used for the broadband communications system. The interest rate shall be adjusted annually on July 15 th of each year to an amount which is equal to 1% more than a one-year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2015 and 2014 were 1.50%. The Communication's net revenues are pledged to pay off amounts due as allowable.	\$500,000	\$500,000
Total	<u>\$730,000</u>	<u>\$735,000</u>

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 4 Related Party – Notes Payable (Continued)

These notes payable to Manning Municipal Light Plant and Manning Municipal Gas Department do not have a specific payoff schedule. Payments made depend upon the net revenues of the Communication Utility. In 2004, the Manning Municipal Light Plant forgave \$200,000 of its note to the Communication Utility.

Note 5 Contract Commitments

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for video signal. TTC obtains a cable television signal from MMCTSU for transmission via TTC's Cable Television System subject to certain terms and conditions such as 3.5 cents per sub per station.

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for switching services. TTC is a local telecommunications carrier with a particular expertise in the provision of certain switching functions and feature applications for the transmission, reception, monitoring, and routing of telecommunications traffic.

Iowa Network Services, Inc. (INS) offers a switching and transport agreement to MMCTSU for both originating and terminating traffic, which virtually extends the MMCTSU's network from the point where it interconnects with the INS network to the meet point of the Commercial Mobile Radio Service (CMRS) provider. This enables MMCTSU to originate traffic to and receive wireless traffic from any CMRS provider. This agreement shall have an initial term of two years. It shall thereafter remain in full force and effect for successive terms of two years each, subject to the right of either party to give the other party written notice of its intent to terminate the agreement not less than 120 days prior to the expiration of the then current term.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 5 Contract Commitments (Continued)

An agreement for Internet Service was entered into and made effective December 15, 2007 between Templeton Telephone Company (TTC) and Manning Municipal Communications and Television Service Utility (MMCTSU). TTC's network is connected to Iowa Network Service Utility (INS) network at a point of presence located at Templeton, Iowa. TTC agrees to lease to MMCTSU 35MB of bandwidth to transport internet traffic between MMCTSU's wireless network and the INS network. The agreement shall continue in full force for a term of three years from the date the leased bandwidth is first provided and shall automatically renew for additional one year terms unless terminated by either party giving written notice at least ninety (90) days prior to the expiration. The monthly rate to be paid to TTC for the bandwidth is \$2,843.

In connection with the Internet Service Agreement with TTC, MMCTSU also needed to enter into a Virtual ISP Internet Services Reseller Agreement with Iowa Network Services, Inc. (INS). This would allow MMCTSU to resell INS' wholesale internet access service to current and prospective MMCTSU subscribers. MMCTSU will pay INS a set fee per customer (currently \$7.50 per month) and then MMCTSU can resell the wholesale accounts to their retail customers at whatever fee they shall choose. This contract began on December 15, 2007 and has continued on a month-to-month basis since then.

Note 6 Pension and Retirement Benefits

Plan Description - IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 6 Pension and Retirement Benefits (Continued)

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 6 Pension and Retirement Benefits (Continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 6 Pension and Retirement Benefits (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Utility's contributions to IPERS for the year ended December 31, 2015 were \$8,288.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -
At December 30, 2015, the Utility reported a liability of \$51,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility's collective proportion was 0.0012620% percent, which was an increase of .000005% from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Utility recognized pension expense of \$29. At December 31, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 6 Pension and Retirement Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 555	
Changes of assumptions	2,253	
Net difference between projected and actual earnings on pension plan investments		\$ 19,471
Changes in proportion and differences between Utility contributions and proportionate share of contributions	204	
Utility contributions subsequent to the measurement date	12,105	
Total	\$ 15,117	\$ 19,471

\$15,117 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 6 Pension and Retirement Benefits (Continued)

Year Ended December 31,	Total
2016	\$ (4,164)
2017	(4,164)
2018	(4,164)
2019	(4,163)
2020	196
	\$ <u>(16,459)</u>

There were no non-employer contributing entities at IPERS

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of Investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 6 Pension and Retirement Benefits (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	-0.69
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 6 Pension and Retirement Benefits (Continued)

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utility's proportionate share of the net pension liability	\$ 96,469	\$ 51,056	\$ 12,723

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS website at www.ipers.org.

Payable to the Pension Plan - At December 31, 2015, the Utility reported payables to the defined benefit pension plan of \$-0- for legally required employer contributions and \$-0- for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 7 Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retirees benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the Utility and plan members are \$782 for family coverage and \$302 for single coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2015, the Utility contributed \$11,044 and plan members eligible for benefits contributed \$1,971, 90 percent and 10 percent, respectively.

Note 8 Compensated Absences

As of January 1, 2005, MMCTSU adopted a new paid time-off (PTO) policy for eligible employees to use for vacation, illness and personal business. It combined traditional vacation and sick leave plans into one flexible, paid time-off policy. Under the new PTO policy, MMCTSU's liability is limited to 240 hours which is the maximum number of hours that can be accrued and paid out upon termination. After an employee accumulates 240 hours, the remaining hours roll into a Long Term Bank (LTB). The LTB hours are not paid out upon termination and are capped at 960 hours.

The PTO is paid at the employee's base rate of pay at the time of absence. In the event that available PTO is not used by the end of the benefit year, employees may carry up to 240 hours to the next benefit year. The hours in the LTB can only be used for family or personal illness and all regular PTO hours must be used before using LTB hours.

The accumulated liability for PTO totaled \$5,065 and \$4,722 as of December 31, 2015 and 2014, respectively.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2015

Note 9 Risk Management

MMCTSU is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 10 Deficit Balances

MMCTSU had fund deficits of \$562,759 and \$555,020 for the years ended December 31, 2015 and 2014, respectively.

Note 11 Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for business type activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Financial Statements
December 31, 2015**

Note 11 Accounting Change/Restatement (Continued)

	<u>MMCTSU</u>
Deficit net position December 31, 2014, as previously reported	\$ 555,020
Net pension liability at December 31, 2014	51,056
Change in outflows of resources related to contributions Made after the June 30, 2013 measurement date	12,614
Net position December 31, 2013, as restated	\$ <u>618,690</u>

Note 12 Subsequent Events

Management has evaluated subsequent events through March 14, 2016, the date on which the financial statements were available to be issued.

OTHER INFORMATION

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Position – Budget and Actual (Cash Basis)
- Proprietary Funds
For the Year Ended December 31, 2015**

	<u>Accrual Basis</u>	<u>Accrual Adjustment</u>	<u>Cash Basis</u>
Receipts			
Charges for Services	\$ 761,262	\$ (9,266)	\$ 751,996
Non-operating	<u>30,574</u>	<u>2,603</u>	<u>33,177</u>
Total Receipts	791,836	(6,663)	785,173
Expenditures			
Cost of Services	394,899	(5,041)	389,858
Operating Expenses	330,053	(33,688)	296,365
Non-operating	<u>10,953</u>	<u>72</u>	<u>11,025</u>
Total Expenditures	<u>735,905</u>	<u>(38,657)</u>	<u>697,248</u>
Net Change	55,931	\$ <u>31,994</u>	\$ <u>87,925</u>
Net Position (Deficit) at Beginning of Year (as restated)	<u>(618,690)</u>		
Net Position (Deficit) at End of Year	\$ <u>(562,759)</u>		

See accompanying independent auditor's report

Original and Final <u>Budget</u>		Final to Actual <u>Variance</u>	
\$	825,885	\$	(73,889)
	<u>37,322</u>		<u>(4,145)</u>
	863,207		(78,034)
	407,114		17,256
	477,242		180,877
	<u>30,000</u>		<u>18,975</u>
	914,356		217,108
\$	<u>(51,149)</u>	\$	<u>139,074</u>

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Other Information -
Budgetary Reporting
For the Year Ended December 31, 2015**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, MMCTSU annually adopts a budget, which is submitted to the City for approval in the City's required public notice and budget hearing process. The annual budget may be amended during the year utilizing statutorily prescribed procedures.

During the year ended December 31, 2015, the budget was not amended and disbursements did not exceed the amounts budgeted.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of the Utility's Proportionate Share of the Net
Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information**

	<u>2015</u>
Utility's proportion of the net pension liability (asset)	.0012620%
Utility's proportionate share of the net pension liability	\$ 51,056
Utility's covered-employee payroll	\$ 87,065
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.09%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of Utility Contributions
Last Two Years
Required Supplementary Information**

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 7,775	\$ 7,522
Contributions in relation to the Statutorily required contribution	<u>7,775</u>	<u>7,522</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>
Utility's covered-employee payroll	\$ 87,065	\$ 84,237
Contributions as a percentage of Covered-employee payroll	8.93%	8.93%

See accompanying independent auditor's report.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Required Supplementary Information – Pension Liability Year Ended December 31, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only. Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year

thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate. The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

Schedule 1**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Schedule of Operating Expenses
For Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Expenses		
Accounting	\$ 7,506	\$ 7,367
Advertising	198	245
Cable Modems	1,777	1,260
Computer expense	311	1,114
Depreciation	35,808	35,614
Dues and Subscriptions	4,275	3,912
Employee Insurance	12,893	11,250
Headhouse - Maintenance	10,094	869
Headhouse - Other	200	-0-
Insurance	14,170	15,046
Legal Publication	966	1,130
Legal and Professional Services	11,460	12,325
Miscellaneous	29,129	6,897
Payroll Taxes & Retirement	6,932	14,002
Postage	4,277	4,303
Property Taxes	1,131	1,741
Rent - Distribution System	51,283	170,849
Rent - Office Space	6,000	6,000
Seminars and Meetings	195	205
Small Tools	76	190
Software Maintenance	11,202	11,561
Supplies - General	9,009	26,939
Telephone	3,811	2,770
Trustee Fees	2,995	2,695
Uniforms	-0-	148
Utilities	11,986	12,935
Vehicle Expense	2,035	2,312
Wages	89,928	86,165
Wireless Internet Expense	406	1,590
Total Operating Expenses	\$ <u>330,053</u>	\$ <u>441,434</u>

See accompanying independent auditor's report

Schedule 2**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Schedule of Capital Assets and Accumulated Depreciation
For Years Ended December 31, 2015 and 2014**

	Capital Assets			December 31, 2015
	December 31, 2014	Additions	Retirements	
Headhouse				
Building	\$ 9,645	\$ -0-	\$ -0-	\$ 9,645
Electronics & Equipment	53,147	-0-	-0-	53,147
	<u>62,792</u>	<u>-0-</u>	<u>-0-</u>	<u>62,792</u>
Distribution				
Service Drops	25,219	-0-	-0-	25,219
Converters & Remotes	15,196	-0-	-0-	15,196
Traps	12,263	-0-	-0-	12,263
	<u>52,678</u>	<u>-0-</u>	<u>-0-</u>	<u>52,678</u>
General				
Office furniture	6,172	1,205	-0-	7,377
Vehicles	14,552	-0-	-0-	14,552
Equipment	52,443	-0-	-0-	52,443
Internet	15,731	10,108	-0-	25,839
	<u>88,898</u>	<u>11,313</u>	<u>-0-</u>	<u>100,211</u>
Internet				
Equipment	154,140	2,062	-0-	156,202
Building	9,503	-0-	-0-	9,503
Vehicles	14,131	-0-	-0-	14,131
	<u>177,774</u>	<u>2,062</u>	<u>-0-</u>	<u>179,836</u>
Telephony				
Building	9,503	-0-	-0-	9,503
Vehicles	14,130	-0-	-0-	14,130
Equipment	807,292	581	-0-	807,873
Electronics	38,809	-0-	-0-	38,809
	<u>869,734</u>	<u>581</u>	<u>-0-</u>	<u>870,315</u>
Totals	\$ <u>1,251,876</u>	\$ <u>13,956</u>	\$ <u>-0-</u>	\$ <u>1,265,832</u>

Useful Lives	Accumulated Depreciation			December 31, 2015
	December 31, 2014	Current Provision	Retirements	
40 years	\$ 2,296	\$ 308	\$ -0-	\$ 2,604
10-15 years	52,148	371	-0-	52,519
	<u>54,444</u>	<u>679</u>	<u>-0-</u>	<u>55,123</u>
15 years	21,297	1,075	-0-	22,372
10 years	10,813	1,252	-0-	12,065
5 years	12,262	-0-	-0-	12,262
	<u>44,372</u>	<u>2,327</u>	<u>-0-</u>	<u>46,699</u>
5-10 years	6,172	14	-0-	6,186
5 years	9,646	1,893	-0-	11,539
5-15 years	17,719	4,159	-0-	21,878
5-10 years	13,845	1,864	-0-	15,709
	<u>47,382</u>	<u>7,930</u>	<u>-0-</u>	<u>55,312</u>
5-10 years	107,873	10,089	-0-	117,962
39 years	2,260	305	-0-	2,565
5 years	9,226	1,893	-0-	11,119
	<u>119,359</u>	<u>12,287</u>	<u>-0-</u>	<u>131,646</u>
39 years	2,260	305	-0-	2,565
5 years	9,226	1,893	-0-	11,119
5-10 years	792,958	7,412	-0-	800,370
7 years	14,283	2,975	-0-	17,258
	<u>818,727</u>	<u>12,585</u>	<u>-0-</u>	<u>831,312</u>
	<u>\$ 1,084,284</u>	<u>\$ 35,808</u>	<u>\$ -0-</u>	<u>\$ 1,120,092</u>

See accompanying independent auditor's report

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

March 14, 2016

Lonnie G. Muxfeldt
Certified Public
Accountant

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Iowa
Missouri

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

To the Board of Trustees of the
Manning Municipal Communications
and Television System Utility

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Manning Municipal Communications and Television System Utility, as of and for the years ended December 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise the Utility's basic financial statements, and have issued my report thereon dated February 24, 2016. My report expressed an unmodified opinion on the financial statements, which were prepared in conformity with U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Manning Municipal Communications and Television System Utility's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Municipal Communications and Television System Utility's internal control. Accordingly, I do not express an opinion on the effectiveness of the Manning Municipal Communications and Television System Utility's internal control.

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility
March 14, 2016
Page Two

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Manning Municipal Communications and Television System Utility's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings as item I-A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manning Municipal Communications and Television System Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility
March 14, 2016
Page Three

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2015, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

MMCTSU's Responses to Findings

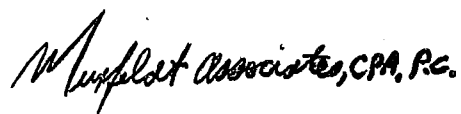
Manning Municipal Communications and Television System Utility's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. MMCTSU's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Manning Municipal Communications and Television System Utility during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 Murphy & Associates, CPA, P.C.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Schedule of Findings Year Ended December 31, 2015

Part I Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Currently, one employee has custody of receipts and performs all record-keeping pertaining to receipts for the Utility, including reconciliations and maintaining the accounts receivable records.

Recommendation - I realize that a segregation of duties is impossible with only one office employee. Operating procedures should be monitored by management and the board of trustees to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of staff available to perform these duties, options available are limited. However, we will continue to monitor procedures to compensate for this weakness in internal control over financial reporting.

Conclusion - Response accepted.

- (B) Financial Reporting - During the audit, I identified principal misposted to interest expense rather than the note payable. Adjustments were subsequently made by the Utility to properly report amounts in the Utility's financial statements.

Recommendation - The Utility should implement procedures to ensure principal on notes payable are properly recorded in the Utility's financial statements.

Response - These procedures have been implemented as recommended.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Schedule of Findings Year Ended December 31, 2015

Part II Other Findings Related to Required Statutory Reporting:

- 1) Certified Budget - The Utility's budget is filed as part of the City of Manning's budget. The disbursements during the year ended December 31, 2015 did not exceed amounts budgeted by the Manning Municipal Communications and Television System Utility.
- 2) Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.
- 3) Travel Expense - No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- 4) Business Transactions - There were no business transactions between the Utility and Utility officials.
- 5) Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with the minimum statutory provisions required. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 6) Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, they were not uniformly published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The Utility should comply with Chapter 21 of the Code of Iowa and published Board proceedings timely.

Response - We will comply with the Code requirements and publish Board proceedings within fifteen days.

Conclusion - Response accepted.

- 7) Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of Findings
Year Ended December 31, 2015**

Part II Other Findings Related to Required Statutory Reporting: (Cont'd)

- 8) Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 9) Financial Condition - The Utility had a fund deficit of \$562,759 at December 31, 2015.

Recommendation - The Utility should investigate alternatives to eliminate this deficit in order to return the Utility to a sound financial position.

Response - Under consideration are various measures to lower costs and reduce the deficit.

Conclusion - Response accepted.

- 10) Unsubstantiated Credit Card Charges - A few credit card charges were not supported by invoices or other substantiation.

Recommendation - Although there has been considerable improvement in this area over the past several years, every effort should be made to provide substantiation of all credit card charges.

Response - Every effort will be made to substantiate credit card charges in the future.

Conclusion - Response accepted.

NEWS RELEASE

MANNING MUNICIPAL COMMUNICATION AND TELEVISION SYSTEM UTILITY

MANNING, IOWA 51455

Muxfeldt Associates, CPA, P.C. of Harlan, Iowa today released an audit report on the Manning Municipal Communication and Television System Utility for the year ended December 31, 2015.

Muxfeldt Associates, CPA, P.C, reported that the Utility's revenue totaled \$791,836 for the year ended December 31, 2015, a 0.37 percent decrease from 2014. The revenues included \$339,488 in cable TV revenue, \$223,678 in telephone revenue, \$198,096 in internet revenue, \$30,504 in other revenue, and \$70 in interest income.

Expenses for the year totaled \$735,905, a 16 percent decrease from 2014. The expenses included \$394,899 for production, \$236,962 for administration and general expenses, \$57,283 for rent, \$35,808 for depreciation and \$10,953 for interest expense.

MMCTSU showed an increase of \$55,931 to net position primarily due to a renegotiated annual lease payment to the Light Plant.

A copy of the audit report is available for review in the office of the Manning Municipal Communication and Television System Utility, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports.htm>.

